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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

SDO - 66 - 00

SUMMARY ORDER TO CEASE AND DESIST
Case No.99-05-142

ASTA Capital Corporation, John
Wachsmith, Wachsmith and Associates, American
Securities Transfer Agency; their agents and
employees,
Respondents

THE STATE OF WASHINGTON TO: John Wachsmith
ASTA Capital Corporation
Wachsmith & Associates
American Securities Transfer Agency
10726 Manitou Beach Drive
Bainbridge Island, WA 98110

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, American Securities Transfer Agency, have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

SUMMARY ORDER TO CEASE AND
DESIST

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TENTATIVE FINDINGS OF FACT

I.

ASTA Capital Corporation is an Oregon corporation with its principal place of business at 10726 Manitou Beach Drive, Bainbridge Island, Washington 98110. ASTA Capital Corporation is not authorized to do business in Washington.

II.

John Wachsmith is sole shareholder and managing partner of ASTA Capital Corporation. Wachsmith is also the owner of American Securities Transfer Agency and of Wachsmith & Associates. Wachsmith was registered with the United States Securities and Exchange Commission as a transfer agent, doing business under the name American Securities Transfer Agency, from August 18, 1995 until April 28, 1997.

III.

American Securities Transfer Agency is an unincorporated business entity with its principal place of business at 10726 Manitou Beach Drive, Bainbridge Island, Washington 98110.

IV.

Wachsmith & Associates is an unincorporated business entity with its principal place of business at 10726 Manitou Beach Drive, Bainbridge Island, Washington 98110.

V.

ASTA Capital Corporation is in the business of selling "shell corporations" to companies seeking to become public. ASTA Capital Corporation does this by purchasing a majority of the free trading shares in a shell corporation from the existing stockholders. Then ASTA Capital Corporation offers the shares to companies seeking to become public. ASTA Capital Corporation offers to provide additional services as part

1 of the price for the shares of the shell company. These include providing a legal opinion as to the tradability of
2 the shares, having Wachsmith and Associates draft a document required under SEC Rule 15c2.11 for a broker-
3 dealer making a market in the shares, providing assistance in selecting a market maker, and responding to
4 questions raised during the process of obtaining trading approval. The price for the shares plus the additional
5 services is typically \$50,000.

6 VI.

7 Wachsmith and Associates offered shares in shell companies and associated services in the same manner
8 as ASTA Capital Corporation. Both Wachsmith and Associates and ASTA Capital Corporation referred to
9 themselves as investment bankers. The most recent brochure distributed by ASTA Capital Corporation to
10 potential customers stated that American Securities Transfer Agency is “fully registered” with the Securities
11 and Exchange Commission although Wachsmith, doing business as American Securities Transfer Agency,
12 withdrew his registration as a transfer agent in April 1997. American Securities Transfer Agency continued
13 through at least the beginning of September 1999 to act as a transfer agent for at least one company registered
14 with the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

15 VII.

16 Neither ASTA Capital Corporation nor Wachsmith & Associates used written contracts in connections
17 with their sales of the shares of shell corporations. Only a one page memorandum was prepared in connection
18 with the offer or sale of the shares. The memorandum stated the terms of the transaction. These were typically
19 payment of \$25,000 at the beginning of the transaction and payment of the remaining \$25,000 when ASTA
20 Capital Corporation or Wachsmith & Associates completed performance of a list of promised services and the
21 stock of the company begins trading. Both ASTA Capital Corporation and Wachsmith & Associates, through
22 John Wachsmith, led purchasers of majority positions in the shares of shell corporations to believe that buying
23 those shares would result in the purchaser’s business having publicly traded shares. However, in at least two
24 instances, ASTA Capital Corporation or Wachsmith & Associates accepted the first portion of the purchase

1 price from purchasers and then failed to transfer the promised shares or to refund the purchaser's money,
2 claiming that the remainder of the purchase price had to be paid although the promised services had not been
3 performed and the stock was not publicly traded. Purchasers were not advised that their funds would not be
4 segregated but would instead be deposited into an account Wachsmith used for his household expenses. In
5 1996, before he established the ASTA Capital Corporation bank account, Wachsmith deposited funds from
6 purchasers of shares into a bank account of Pioneer Press, a business run by Wachsmith's wife. Like the ASTA
7 Capital Corporation bank account, the Pioneer Press account was used by members of the Wachsmith
8 household for household purposes.

9 VIII.

10 In addition to selling majority positions in the shares of shell corporations directly to the owners of
11 businesses, ASTA Capital Corporation also accepted funds from investors for small amounts of shares in the
12 shell corporations. Two of the companies for which ASTA Capital Corporation accepted funds from investors
13 were Triangle Broadcasting and American Freedom International. Washington residents invested in the stock
14 of both companies by depositing funds to the ASTA Capital Corporation account.

15 IX.

16 In mid-1998, Jim Lake, president of American Freedom International, a start-up corporation in the long
17 distance telephone service business, arranged with John Wachsmith of ASTA Capital Corporation to purchase
18 the majority of the outstanding shares of a shell corporation from ASTA Capital Corporation for the purpose of
19 taking company public. As part of this arrangement, Lake sent a letter dated August 24, 1998 to AFI's
20 customers, distributors, and representatives offering them stock. The letter directed persons wishing to
21 purchase stock to send checks to American Security Transfer Agency, PO Box 11593, Bainbridge Island, WA
22 98110. The letter also gave directions for purchasing stock by wire transfer. Persons were directed to transfer
23 funds to the Wells Fargo Bank account of ASTA Capital Corporation. Wachsmith was aware of the letter and
24 its contents.

X.

In response to the AFI letter, the ASTA Capital Corporation account at Wells Fargo Bank received approximately 40 deposits totaling more than \$80,000 from the sale of AFI stock. Wachsmith remitted \$23,000 of this amount to Jim Lake and retained the remainder. No AFI shares were ever issued.

XI.

In February 1999, Wachsmith, as president of ASTA Capital Corporation offered to prepare a Small Corporate Offering Registration for a South King County business seeking to raise capital. Wachsmith told the owners of the business that competing firms would charge \$20,000 for similar services but that he would only charge \$5,000. The business paid \$5,000 to ASTA Capital Corporation on February 12, 1999. Wachsmith then told the owners of the business that the SCOR offering was delayed because the Securities Division had cancelled meetings Wachsmith had scheduled concerning the offering. In fact, Wachsmith had never contacted the Securities Division about the offering and no meetings had ever been scheduled. After giving a number such excuses to business owners, Wachsmith offered to sell them a shell corporation for \$150,000 instead of completing the SCOR offering. The business owners declined this offer. Wachsmith refused to refund the \$5,000 paid by the business for his advice concerning the sale of shares in the SCOR offering.

XII.

ASTA Capital Corporation, Wachsmith & Associates, American Securities Transfer Agency, and John Wachsmith collectively took in more than \$500,000 since 1996 in more than 80 transactions involving the offer or sale of securities. These transactions represent the majority of their incomes during that period.

XIII.

Neither ASTA Capital Corporation nor Wachsmith & Associates nor American Securities Transfer Agency nor John Wachsmith is currently registered as a securities salesperson or broker-dealer in the state of Washington and none has previously been so registered.

XIV.

The Securities Administrator finds that the continued offers or sales of shares of shell corporations by ASTA Capital Corporation, by Wachsmith & Associates, or by John Wachsmith in the manner described in Tentative Findings of Fact V through XI and their continued sale of advice to other corporations concerning the offer or sale of shares by those corporations in the manner described in Tentative Finding of Fact XI presents a threat to the investing public.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

The offer and/or sale of shares described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: stock.

II.

ASTA Capital Corporation, Wachsmith & Associates, American Securities Transfer Agency, and John Wachsmith have each violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

III.

The offer and/or sale of said securities was made in violation of RCW 21.20.010 because the practice by ASTA Capital Corporation, Wachsmith & Associates, and John Wachsmith of accepting half of the purchase price and then failing to deliver the purchased shares or to refund the purchase price tended to work a fraud on purchasers. ASTA Capital Corporation, Wachsmith & Associates, and John Wachsmith also violated RCW 21.20.010 by misrepresenting themselves as “investment bankers” capable of arranging for the companies to “go public” when neither ASTA Capital Corporation, nor Wachsmith & Associates, nor American Securities Transfer Agency, nor John Wachsmith was registered as a broker-dealer and therefore could not legally engage

1 in the business of effecting transactions in securities. American Securities Transfer Agency misrepresented
2 itself as a registered transfer agent when it had withdrawn its registration in April 1997.

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IV.

Accepting funds from a South King County business for advice in connection with an offering of shares constituted a violation of RCW 21.20.020 because ASTA Capital Corporation and John Wachsmith engaged in an act or practice that tended to work a fraud on that business as described in Tentative Finding of Fact XI.

V.

The Securities Administrator finds that an emergency exists, that the continued violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.020 constitutes a threat to the investing public, and that summary orders to cease and desist from those violations is in the public interest and necessary for the protection of the investing public.

SUMMARY ORDER

Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED ASTA Capital Corporation, Wachsmith & Associates, American Securities Transfer Agency, and John Wachsmith each cease and desist from acting as unregistered broker-dealers or salespersons in violation of RCW 21.20.040.

IT IS FURTHER SUMMARILY ORDERED that ASTA Capital Corporation, Wachsmith & Associates, and John Wachsmith, ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, American Securities Transfer Agency, their agents and employees, each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

IT IS FURTHER SUMMARILY ORDERED that ASTA Capital Corporation and John Wachsmith each cease and desist from violation of RCW 21.20.020, the section making it unlawful for a person receiving compensation primarily from advising another about the purchase or sale of securities from engaging in an act or practice or course of business which operates or would operate as a fraud or deceit upon the other person.

SUMMARY ORDER TO CEASE AND
DESIST

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of Chapter 34.05 RCW. The respondents, ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, American Securities Transfer Agency, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the Summary Order to Cease and Desist permanent as to that respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this _____ day of December 1999.

DEBORAH R. BORTNER
Securities Administrator

Approved By:

Presented by:

Michael E. Stevenson
Chief of Compliance

Suzanne E. Sarason
Senior Enforcement Attorney